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ABSTRACT

Selected issues to be considered by the 96th Congress regarding the Higher Education Act reauthorization are examined. Recently funded at approximately $5 billion, the programs of this legislation serve over 3 million students through financial assistance and nearly the full range of traditional higher education institutions and many proprietary vocational/technical schools. The primary focus of the Higher Education Act is student assistance, which accounts for some 94 percent of the funds appropriated for the Act. Focus in this report is on four student aid-related issues: consolidation, coordination and simplification of the aid programs; the financing of higher education through loans; impact on students' access to higher education and choice among institutions; and the extent of fraud, abuse and waste in these programs. Institutional aid-related issues are discussed briefly with attention paid to such topics as the need for construction support and the Federal support of traditionally black institutions. (Author/LBH)

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REAUTHORIZATION OF THE HIGHER EDUCATION ACT BY THE 96TH CONGRESS -- SELECTED ISSUES

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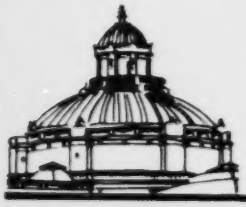

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SUMMARY

The 96th Congress will consider the Higher Education Act for reauthorization. This principal piece of Federal higher education legislation was most recently funded at approximately $5 billion. Its programs serve over 3 million students through financial assistance and nearly the full range of traditional higher education institutions and many proprietary vocational/technical schools. The primary focus of the Higher Education Act is student assistance, which accounts for some 94 percent of the funds appropriated for the Act.

There is a wide range of issues which the 96th Congress is likely to debate during the reauthorization process. This report focuses on four student aid-related issues -- consolidation, coordination and simplification of the aid programs; the financing of higher education through loans; impact on students' access to higher education and choice among institutions; and the extent of fraud, abuse and waste in these programs. Institutional aid-related issues are discussed briefly with attention paid to such topics as the need for construction support and the Federal support of traditionally black institutions.

TABLE OF CONTENTS

	Page
INTRODUCTION	1
STUDENT AID	4
Consolidation, Coordination and Simplification	5
Financing Higher Education Through Loans	9
Impact on Students' Access and Choice in Higher Education	16
Fraud, Abuse and Waste	23
INSTITUTIONAL AID	30
APPENDIX A -- Description of the Higher Education Act	36
APPENDIX B -- FY 1979 Authorizations and Appropriations	47

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I. Introduction

The authorization for most programs of the Higher Education Act, will expire at the end of FY 1979, with a one year extension possible under the General Education Provisions Act. Thus, the Members of the 96th Congress will be debating the structure of what is the Federal Government's principal legislation for the support of postsecondary education in this country. Their decisions will have a major impact on the Federal role in higher education during the coming decade, a decade in which enrollments are projected to fall drastically.[1/]

The Higher Education Act consists of 12 titles. Three are related to student aid -- Title IV authorizing programs of general student assistance; Title VIII authorizing Federal support for cooperative education programs (programs of alternating periods of work and study); and Title IX authorizing graduate student fellowships restricted to students in certain fields or with certain socioeconomic backgrounds.

Title XII of the Act is the source of definitions as well as the authority for support of Statewide coordination of postsecondary education.

The remaining eight titles authorize programs of institutional support, ranging from support for struggling ("developing") institutions to support for construction, reconstruction and renovation. (See Appendix A for a description of each title, and Appendix B for FY 1979 funding for each title.)

1/ James Stedman. Future Higher Education Enrollments: An Analysis of Enrollment Projections. CRS Report 78-4 ED. January 4, 1978.

In this analysis of selected issues likely to be considered during the reauthorization process, student aid is treated separately from, and in greater detail than institutional aid because it accounts for 94 percent of the nearly $5 billion appropriated in FY 1979 for the Higher Education Act. Nevertheless, the separation of student aid from institutional aid masks the critical interplay between those two types of aid. For example, Federal student aid releases some institutional spending for other activities; and, Federal institutional aid may work to assure that aided students receive adequate, if not higher quality, postsecondary education.

The concentration of Higher Education Act funding on student assistance is not inadvertent. The principal debate over the reauthorization of the Higher Education Act in 1972 focused on the mix between aid for students and aid for institutions; and student aid emerged dominant.[2/] The generally accepted premise is that, as a result of the student aid focus, it is the Federal role to help foster a marketplace in which Federal student aid leads to healthy competition among institutions for students.[3/]

2/ Lawrence E. Gladieux and Thomas R. Wolanin. Congress and the Colleges. 1976. p. 41-42, 225.

3/ For one description of this student marketplace concept, see the House Report 94-1086 to accompany H.R. 12851, Higher Education Amendments of 1976 (May 4, 1976).

Much of the recent legislative activity affecting the Higher Education Act has consisted of amendments to the student aid programs. For example, this past year, the Congress enacted the Middle Income Student Assistance Act (P.L. 95-566), which made two fundamental changes to the student aid programs of the Act. The expected parental contribution in the Basic Grant Program was reduced substantially, thereby making students from higher income families eligible for grants because their estimated need for aid would be increased. The Guaranteed Student Loan Program was amended to remove the interest subsidy eligibility criterion, which had kept students from families with adjusted gross income above approximately $30,000 a year from being eligible for Federal payment of interest while they were enrolled. Banks are reluctant to lend to students not eligible for the interest subsidy because of the added paperwork of billing each borrower separately for interest. These amendments, enacted largely because of the pressure from tuition tax credit proposals, should not be seen as an unqualified endorsement of the soundness of existing aid programs. In the course of the debate over which method of disbursing assistance to middle-income students should be used — tax credits or need-based student aid — many felt that the existing aid process was preferable, but not without its serious faults.

II. Student Aid

Of an FY 1979 appropriation of nearly $5 billion, for the Higher Education Act, approximately $4.7 billion, was appropriated for the main Title IV programs:

Basic Educational Opportunity Grants (BEOG)	-- $2,626,900,000
Supplemental Educational Opportunity Grants (SEOG)	-- $ 340,100,000
Guaranteed Student Loans (GSL)	-- $ 739,314,000
National Direct Student Loans (NDSL)	-- $ 328,900,000
College Work-Study (CWS)	-- $ 550,000,000
State Student Incentive Grants (SSIG)	-- $ 76,750,000

When one considers that four programs -- SEOG, CWS, NDSL and SSIG -- require some form of matching of this Federal funding, and that the GSL Program appropriation is for servicing some $2 billion in loans by private lenders or public, nonprofit lenders, the grand total of federally-supported student aid dollars under Title IV of the Higher Education Act exceeds $5 billion.

Determination of precisely how many students receive benefits from these programs is difficult because many participate in more than one program. It is likely that over 3 million individual students will receive aid for the 1978-79 school year (more than one out of every four students) and that, with the implementation of recent amendments (Middle Income Student Assistance Act), a number in excess of that will participate in the 1979-80 school year. The table below shows the estimated number of students receiving aid from each program during the 1978-79 school year.

1978-79 School Year

Program	Number of Participating Students (Estimated)
BEOG	1,821,000
SEOG	463,000
GSL	1,126,000
NDSL	874,000
CWS	796,400
SSIG	255,000

Source: Office of Management and Budget. Appendix to the Budget for Fiscal Year 1980.

There are four major areas within which some of the reauthorization debate on student assistance may concentrate:

(1) the need for consolidation, coordination and simplification;

(2) student financing through loans;

(3) the impact of these programs on students in terms of participation and attainment; and

(4) the degree of fraud, abuse and waste in these programs.

Consolidation, Coordination and Simplification.

There is nothing inevitable about a financially needy individual securing the assistance necessary to meet the costs of a higher education. With the mean total budget required to attend a postsecondary institution in 1978-79 ranging from $2,666 for public two-year institutions to $5,110 for private four-year institutions, the impetus for

seeking such aid is obvious, but the process through which a needy individual must go to receive assistance is not so easily identified or defined.[4/]

The Higher Education Act student aid programs — those of Title IV and of Title IX — have different application processes, different origination points, different monitoring and servicing agencies and institutions, different annual and aggregate levels of assistance, different eligibility criteria and, for the loan programs, different terms and repayment rates.[5/] A 1975 report on student aid programs concluded that:

> ...a student applying for aid from just one postsecondary institution may have to complete as many as seven different forms to demonstrate eligibility for all of the aid available to him. In order to complete these forms, the student and parents must assemble information from their income tax forms and other records a number of times, decide how to respond to the slightly different questions on the number of forms, and then forward the different forms to a number of different places to meet a number of different deadlines. [6/]

The coordination of awards among these assistance programs is, according to many observers, problematic at best. First, apparently the interaction between Federal student aid programs and public welfare

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4/ Elizabeth W. Suchar, et al. Student Expenses at Postsecondary Institutions 1978-79. College Scholarship Service. 1978. Table 6.

5/ See Appendix A.

6/ Final Report of the National Task Force on Student Aid Problems. May 1975. p. 1.

programs, each of which can fund students' living expenses, has resulted in overawarding for some students.[7/] Second, although prohibitions against awarding Federal funds to students beyond level of need (cost of attendance minus available resources including parental contributions) are built into most of these aid programs, they are not included in all. The GSL Program, established primarily to be a source of loans of convenience, presently has no requirement that the borrower have need, although recipients of Higher Education Act student aid must use such assistance for education purposes. Third, there is in essence no coordination of the borrowing under the major student loan programs -- GSL and NDSL Programs. As a result it is largely a matter of borrowers themselves, perhaps with the assistance of financial aid officers, regulating the aggregate Federal student loan debt they incur.[8/] Fourth, students found to be needy under some Higher Education Act student aid programs may not under others. The primary example of this is the BEOG Program which, for academic year 1979-80, is expected to extend significantly into the ranks of middle-income students. Some of these same students may find that the accepted need analysis methodology for the campus-based programs (SEOG, CWS, NDSL -- so-called because they are administered on the campus) will determine them to have no need.

7/ The Student Financial Assistance Study Group. Recommendations for Improved Management of the Federal Student Aid Programs. June 1977.

8/ There are provisions in certain Federal health professions and nursing student loan programs which prohibit borrowers from participating in the Higher Education Act loan programs at the same time.

What is the framework within which proposals to consolidate, coordinate and simplify the student aid programs will be considered? There are several ways in which legislative action on this issue will be judged by experts in the field. Creation of new programs, intended to replace existing programs or to compete with old programs, or consolidation of existing programs will be assessed by several criteria -- their cost; the degree to which they add to, or subtract from existing confusion over student aid programs; the degree to which currently served students will continue to be served; and the effect on the present mix of student aid (grants, loans, work and expected parental contribution). Efforts to consolidate, coordinate and simplify will be watched closely by many in the higher education community for signs of how these efforts affect the autonomy of academic institutions. Attempts to amend these programs, particularly those administered at the campus level (SEOG, CWS, and NDSL), will be judged by the extent to which those amendments will affect the flexibility of financial aid officers to package student aid. Any proposal leading ultimately to the removal of all Federal student aid funds, or a substantial portion of them, from the direct control of financial aid officers will probably be criticized strenuously.

Within this framework of analysis, some legislative attention likely will be paid to the issue of program consolidation, coordination and simplification during the 96th Congress if only because it was debated inside and outside of Congress during the past two years, and continues to be debated. The House Intergovernmental Relations and

Human Resources Subcommittee (Committee on Government Operations) held hearings in 1978 which highlighted this issue. The proponents of tuition tax credits argued that a tax credit would bypass what was characterized as a mammoth, inept bureaucracy and a bewildering configuration of aid programs. The Student Financial Assistance Study Group reported to the Secretary of HEW in June 1977 that the student aid programs were in need of major reform, stemming in part from a lack of control and coordination. Various higher education associations, in the consideration of their agendas for legislative activity in the 96th Congress, are considering this issue in its several manifestations.

Proposals to consolidate, coordinate or simplify the student aid process will probably range from that advocated by proponents of Federal tuition tax credits, that is, directing Federal student aid through some mechanism other than the existing programs; to creating a single student aid application form for all Federal student aid programs; to consolidating existing programs.

Financing Higher Education Through Loans

Fundamental questions were raised during the 95th Congress about the Federal role in providing students with loans for their education expenses. How should loans be provided? How should they be repaid? How can the existing loan programs be improved? To what degree should higher education expenses be met with loans? Who should bear the burden of higher education finance?

The Higher Education Act authorizes two student loan programs -- the Guaranteed Student Loan (GSL) and National Direct Student Loan (NDSL) programs. During FY 1979 approximately $2.9 billion was lent to students through these two programs. Although some 2 million loans were provided, the exact number of individual recipients is not known because some students borrow under both programs. GSLs are lent by banks, savings and loan associations, some institutions of postsecondary education, some State agencies, etc. Well over half of these loans are guaranteed (insured) against default by State Guarantee Agencies (38 States) and reinsured by the Federal Government, that is, the agencies are reimbursed for all or a part of their insurance expenses. The remaining loans are insured directly by the Federal Government. NDSLs are administered by participating institutions of postsecondary education and funded through Federal appropriations and institutional matching funds on a 9 to 1 basis (Federal contribution to institutional funds). (See Appendix A for more details on these programs.)

Among the issues affecting these loan programs are the following:

(1) Borrowers have defaulted on their loans at rates which concern program administrators and congressional observers. Problems abound when one seeks to compare default rates between these programs because those rates have been calculated differently. The structures of the programs have played a role in fostering these differences. The NDSL default rate (defined in this instance as unpaid principal on all loans currently in default divided by the total dollar amount of loans matured since program inception) was 16.9 percent on June 30, 1977 and 17.7 percent on June 30, 1978. The GSL default rate (defined as cumulative default claims paid on GSLs divided by the total dollar amount of loans matured since program inception) was 13.7 percent for FY 1978 in the federally insured portion of the program and 9.0 percent in the State-guaranteed portion. (See CRS Issue Brief 75017--

Student Loan Programs (Federal): Defaults.) Although these statistics reveal a significant level of defaulting in these programs, they also reveal that the vast majority of borrowers in fact repay their loans.

(2) There is no guarantee that every student meeting the eligibility criteria for either the NDSL or GSL Programs, and desiring to borrow, will be able to do so. Borrowing depends upon whether an individual is enrolled at a school participating in the NDSL Program and funded at a level sufficient to meet that student's need, or finds a lender actively participating in the GSL Program. For example, the RMC Research Corporation study, A Survey of Lenders in the Guaranteed Student Loan Program (December 1975, under contract with the Office of Education), revealed that lenders in particular parts of the country are more likely to impose restrictions on certain types of borrowers (first-year students, non-degree credit students, etc.), than are lenders in other areas. Under the NDSL Program, institutions within certain States receive only a portion of their approved funding requests. (The institutions' original requests are reviewed, adjusted and approved by Office of Education regional panels.) In the 1978-79 school year, for example, institutions within California, Colorado, Massachusetts, and Wisconsin received only approximately 88 percent of their approved funding levels.

(3) As described earlier in the section on consolidation, coordination, and simplification, the fact that these two loan programs differ in a variety of ways is subject to criticism. For example, the NDSL Program provides loans with a three percent a year interest rate; while, in contrast, GSLs carry a seven percent a year interest rate. One can question the equity of providing some students with loans at an interest rate four percentage points below those provided other students. Also, in some instances, when an individual borrows under both programs, the same student repays federally-supported loans at different rates. Other features of these programs have also generated criticism. The absence of a single aggregate borrowing limit applied to both programs permits students to incur debts significantly in excess of the limits provided in each program. (See Appendix A for these limits.) The loans made under these programs are not consolidated at the end of a student's higher education enrollment. Thus, a former student can be required to make several periodic payments to different institutions and agencies in order to retire his or her debts.

Nevertheless, the different terms and structures of these programs may foster a necessary degree of flexibility in the Federal effort to

assist students. These individuals have a variety of financial needs, some more appropriately served by one program than another.

Legislative proposals made in the 95th Congress, partially in response to some of the issues above, would have dramatically affected the structure and terms these existing Higher Education Act student loan programs or created major new sources of loans. These proposals, as introduced in the 95th Congress, are: the National Student Loan Bank Act bill (Senator Bellmon, S. 3403); the Tuition Advance Fund Act bill (Representative Harrington, H.R. 12268); and the Capital Availability for Higher Education Act of 1978 bill (Pepresentative Maguire, H.R. 14147). Each, in some form, is likely to be reintroduced during the 96th Congress.

The Loan Bank bill would have created a new national lending source for students funded through federally-guaranteed obligations of up to $7 billion during fiscal years 1980 and 1981. Borrowers would not be selected on the basis of need and could not borrow under the existing GSL and NDSL Programs. It is expected that this restriction would ultimately have resulted in phasing out those two programs. Borrowers would repay principal at an interest rate equal to the Treasury borrowing rate plus one percent, and would repay annual amounts of one percent of taxable income per $1,000 borrowed. Up to the full cost of attendance could be borrowed. Debts would be collected by the Loan Bank. Delinquent accounts could be turned over to the Treasury where they would be treated in the same fashion as delinquent Federal income taxes.

The Tuition Advance Fund Act bill would also have created a new major source of Federal student loans. It would have been administered

by the Commissioner of Education who would provide loans to cover the cost of attendance for undergraduate students who completed one year of study. A trust fund would be established in the Treasury, initially from direct Federal appropriations of up to $4.5 billion a year. Borrowers would repay in annual amounts equal to 2 percent of their annual adjusted gross income satisfying their obligations when 150 percent of the amount borrowed was repaid. Repayments would be made through the income tax system administered by the Internal Revenue Service. No specific relationship to the GSL or NDSL Programs was specified in the legislation, but it was understood that the fund would ultimately replace at least the existing student loan programs.

The Capital Availability Act would have increased annual and aggregate borrowing limits for the GSL Program and permitted lenders to provide borrowers with an alternative repayment method — an income-contingent repayment schedule. Borrowers repaying under the optional method would be liable annually for an amount equal to $35 for each $1,000 borrowed plus 1.5 percent of any adjusted gross income in excess of $8,500 for each $500 borrowed, plus 1 percent of any adjusted gross income in excess of $18,500 for each $500 borrowed. Under the optional method, repayment would be accomplished through withholdings from wages collected by the Treasury.

Each of these proposals, but particularly the first two, is purported by its advocates to solve the following problems:

(1) These legislative proposals would either create new sources of capital that would be sufficient, in theory, to serve all borrowers, or would enhance the willingness of lenders to lend under existing programs.

(2) A single source of student loans would, it is argued, simplify the process of securing a loan and eliminate the confusion that arises when a student has loans from several sources under different terms. Only a single loan application would need to be filed.

(3) Through income-contingent, or income-related repayment schedules, which each of these bills would have put into effect, the repayment burden on students would be, in theory, reduced. This might have the effect of eliminating one primary cause of student loan defaults.

(4) Some advocates of these types of programs assert that ultimately, and most properly, the responsibility for paying for higher education would come to rest on the student, not his parents or society, because the benefits of this higher education will accrue to the student.

The debate over these loan proposals in the 96th Congress may well revolve around several key questions. What is their precise cost? Consider the following: sponsors of the Tuition Advance Fund claim that the Fund would become self-sufficient revolve in 20 years requiring a Federal appropriation over that period of $4.5 billion per year (increased by an annual inflation factor).[9/] Other analysts have challenged these figures. One has suggested that the fund would revolve at the earliest

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9/ Undated document provided by Representative Harrington's office, entitled The Tuition Advance Fund -- Questions and Answers.

in 43 years and cost $7.3 billion per year. The present value of $7.3 billion per year over 43 years is $81.1 billion; that is, $81.1 billion is the amount that would have to be appropriated the year the program was started to meet the total demand for Federal funding over the 43 year period.[10/]

What is the impact of such a loan program on the existing patterns of student support? Some argue that the benefit accruing to the recipient of higher education is readily identifiable in higher lifetime income, and that the benefits to society in general are harder to identify, if they exist at all. Thus, the cost should be borne by the student, not his parents or by society. Others disagree. Society they suggest, has a great stake in an educated citizenry, even ignoring the increased taxes paid by individuals earning higher incomes as a result of their higher education.

Finally, other questions arise — are there students who would resist going into debt so much that they would not enroll? Are there levels of debt which become excessive, generating some unknown reaction by borrowers as they enter the labor market — some looking for low-paying jobs to avoid paying the full debt, others entering only certain lucrative fields, by-passing public service, because they want to discharge their debts quickly? What effect would these proposals have on institutions of higher education when they set tuition rates? What forms of aid would remain for packaging by financial aid officers?

10/ Stephen P. Dresch. A Critique of the Harrington-Silber Tuition Advance Fund. Institute for Demographic and Economic Studies. May 15, 1978.

Impact on Students' Access and Choice in Higher Education

If the Federal focus on student aid programs in the Higher Education Act is intended to support a marketplace in which institutions compete for students, then one important measure of the impact of these programs is the extent to which they enable students to have access to the marketplace (that is, the ability to pay for some form of higher education) and, perhaps more importantly, the extent to which they enable students to choose among institutions (that is, select an institution for some reason other than cost).

The need-based nature of the current student aid programs, excepting the Guaranteed Student Loan Program, means that they are likely to serve students from low-income families, and, as a result, minority students as well. The Graduate and Professional Opportunities Program, authorized by Title IX of the Act to support minority and disadvantaged students in graduate and professional schools, is but one specific expression of a Federal interest in enhancing the educational participation and attainment of disadvantaged individuals.

In the 1976-77 school year the following percentages of these program's dependent undergraduate recipients, were from families with incomes of less than $15,000:[11/]

BEOG 95%
SEOG 91%
GSL 64%
CWS 85%
NDSL 79%

11/ Frank J. Atelsek and Irene L. Gomberg. Estimated Number of Student Aid Recipients, 1976-77. Higher Education Panel Reports, Number 36. American Council on Education. September 1977. Derived from Table 4.

In contrast, according to the Bureau of the Census, of the dependent primary family members 18 to 24 years old enrolled in college in October 1976, only 38 percent came from families with incomes below $15,000.[12/] This data includes independent students many of whom are likely to have low incomes. Although, to be precisely comparable to the program participation data given above, these students should have been excluded, this discrepancy is unlikely to affect the general conclusion that these programs serve a disproportionately large number of students from lower income families.

In that same school year, 1976-77, the following percentages of program recipients were minority individuals:[13/]

BEOG	43%
SEOG	39%
GSL	17%
CWS	29%
NDSL	26%

Of the primary family members aged 18 to 24 enrolled in college in October 1976, 13 percent were non-white.[14/] Again, the focus of the student aid programs is readily evident.

Clearly, then, the Higher Education Act student aid programs do serve low-income students and minority students in a significant fashion. But, does this assistance have an impact on the access rates of these types of individuals, on their academic choices and on their attainment rates?

12/ Bureau of the Census. School-Enrollment -- Social and Economic Characteristics of Students: October 1976. Current Population Reports. Series P-20, No. 319. Issued February 1978. Table 13.

13/ Atelsek. 1976-77. Table 4.

14/ Bureau of the Census. School Enrollment. Table 13.

A recent Congressional Budget Office (CBO) study, entitled Inequalities in the Educational Experiences of Black and White Americans (September 1977) presents Bureau of the Census data showing that between 1965 and 1975, the black share of higher education enrollment (14 to 34 years of age) more than doubled, rising from 4.8 percent of all enrolled students in 1965 to 9.8 percent in 1975. A gap of 2.1 percentage points remained to be closed in 1975 before participation of blacks in higher education would equal the black portion of the 14 to 34 age group as a whole. Between 1966 and 1974, the percentage of the black population 25 to 34 years old completing four or more years of college increased by more than 40 percent, rising to 8.1 percent. Nevertheless, the comparable percentage of whites 25 to 34 years of age with four or more years of college was 21.0 percent. One can conclude from the CBO study that during a decade of significant growth in Higher Education Act student aid funding, black participation and attainment rose markedly, but remained substantially behind that of the total population. This CBO analysis concludes:

> Assessing the degree to which increased expenditures in these programs [all Federal programs affecting black educational experience] can close any one of the educational gaps between blacks and whites is beyond the current state of research. Increases in funding, modifications in existing programs, and new initiatives would all surely help, but the link between these actions and changes in key educational measures is at best uncertain. 15/

The Office of Planning, Budgeting and Evaluation (OPBE) in the Office of Education recently assessed the impact of Federal student assistance on the participation and attainment of low-income individuals in higher

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15/ CBO. Inequalities. p. 51-52.

education. [16] OPBE found that participation rates in higher education vary markedly by students' family income. There is a difference of over 30 percentage points between the lowest and highest income participation rates. The 1976 participation rate of 1974 high school graduates with family income of $0-2,999 was 42.8 percent. The rate for 1974 high school graduates with family income of $30,000 or more was 73.5 percent.

Students are unevenly distributed among types of institutions according to their family income. The higher income groups are concentrated in four-year institutions while low-income students are less likely to attend such institutions. In 1976, 72.4 percent of the 1974 high school graduates from families with income of $30,000 or more who were enrolled in postsecondary education were enrolled in four-year institutions; 58.5 percent of those with income of $0-2,999 enrolled in postsecondary education were at four-year institutions. The importance of this finding, it is suggested, rests largely with the fact that four-year colleges have a higher student retention rate than two-year or vocational/technical institutions, and that the lowest income students have an 80 percent greater chance of failing to complete their courses of study than do the highest income students. [17]

16/ The OPBE studies are described in the Annual Evaluation Report on Programs Administered by the U.S. Office of Education. FY 1977.

17/ Alexander W. Astin in his study, Preventing Students from Dropping Out (Jossey-Bass, 1975), asserts that the high dropout rate at public two-year colleges arises from a combination of factors, including the effects of certain institutional characteristics.

Given that participation rates vary so markedly, especially at the extremes of the family income range, the OPBE data surprisingly reveals that the net price which students face (that is the total price of attendance minus family contribution and grant assistance) is relatively constant across income groups by levels of institutional costs. The greatest consistency was observed for students with $0-20,000 family income. Thus students, regardless of family income, (within the $0-20,000 range) attending institutions with the same cost of attendance face relatively the same net price. Removing Basic and Supplemental Grants from the grant portion of the student support package would result in net prices which varied according to family income.

The OPBE study concluded that:

> Thus, it is clear that Office of Education grant programs have made a major contribution toward equalizing financial barriers to accessing and choosing among institutions of postsecondary education.

But, to OPBE, the conjunction of net price consistency and different participation rates makes it seem clear

> ...that the problems of accessing postsecondary education may not be purely financial; in fact, an argument can be made that nonfinancial barriers may be more important. 18/

From these studies it is unclear precisely what impact Federal student aid programs such as those of Title IV of the Higher Education Act have on minority and low-income student participation and attainment in postsecondary education. To the extent that price is a controlling factor (a point not generally conceded), the Title IV programs work to bring the low-income and minority student into higher education. To the extent that enrollment in a four-year institution will enhance an individual's chances of completing his or her higher education, aid which encourages and allows students to enroll in four-year institutions appears desirable. But, in the final analysis, these studies suggest that even if financial barriers were

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18/ Annual Evaluation Report. p. 207. Two analysts who have advanced that argument are Larry Leslie and Gary P. Johnson in their study "Equity and the Middle Class" (Exploring the Case for Low Tuition in Public Higher Education. Edited by Ken Young. 1974.). They posit that the literature on why individuals attend college provides

> ...one unmistakable conclusion [,] ... that there is no simple, single explanation why some individuals go to college and others do not. Such variables as geographic proximity to a college, family income, sex, geographic origin, peer values, ability, and perhaps, most important "the cultural and educational traditions, ambitions and hopes of the family" enter into this determination, but no factor is so powerful as to indicate simplistic policy solutions to the problem of encouraging collegiate attendance. (p. 111-112)

removed entirely equal educational opportunity or attainment may not be achieved without other types of support.

The Higher Education Act does authorize a group of programs under Title IV, Subpart 4 -- Special Programs for Disadvantaged Students, which seek to overcome some of the non-financial barriers to postsecondary enrollment of disadvantaged individuals. Through the Talent Search, Upward Bound and Special Services to Disadvantaged Students Programs, and the Education Opportunity Centers, the Federal Government funds efforts to seek out disadvantaged individuals who could benefit from postsecondary education, encourage them to enroll and provide them with remedial, tutorial and counseling services.

The OPBE after supporting various studies of the Special Programs concluded that although some success in increasing the participation rate of individuals served was revealed, there were improvements needed to increase the beneficial impact of these programs.[19/]

The following questions may be considered during the reauthorization of the student aid programs in light of the findings delineated above.

(1) What is the most effective and efficient mix of student aid programs to achieve greater participation and attainment in postsecondary education of disadvantaged individuals?

(2) Should programs providing non-financial academic aid to students be funded at higher levels than they are currently?

19/ Annual Evaluation Report. FY 1977. p. 213. It should be noted that the Special Programs will be funded at $140 million for the 1979-80 school year. It is also significant that the Office of Education identified a 1974 target population for two of these programs (Talent Search and Upward Bound) of 3,340,000 individuals and that only 3.6 percent of these economically disadvantaged individuals were being served by the two programs.

(3) Should financial aid be provided to higher income students on the premise that the maximum impact of financial aid on low-income students has already been achieved?

(4) Should more aid be provided to institutions for their general use in meeting the needs of the particular types of disadvantaged students they enroll?

(5) Are there groups of students who are not being served, such as those enrolled on less than a half-time basis, who should be made eligible?

Fraud, Abuse and Waste

The Office of Education student aid programs are subject to fraud, abuse and waste. Consider the following reports and findings. An assessment by the Department of Health, Education and Welfare's Office of Inspector General of the extent to which the department has lost funds due to fraud, abuse and waste revealed that some 10 percent of the funds allotted for student aid was misused.[20/] A recent General Accounting Office study of the Basic Educational Opportunity Grant Program concluded that ineligible students received as much as an estimated $24.3 million in 1974-75, and that approximately $117.9 million could have been awarded in that year despite inconsistencies in family financial data provided on applications.[21/] A tightened computer check of applications submitted to the Basic Grant Program for the current school year has resulted in a doubling of the rejection rate of applications, creating a pool of some 500,000 applications

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20/ Office of Inspector General, Department of HEW. Annual Report: April 1, 1977-December 31, 1977. Issued March 31, 1978. p. 2.

21/ General Accounting Office. "Office of Education's Basic Grant Program Can Be Improved." HRD-77-91. September 21, 1977.

in rejected status. Some of these applications would have been rejected despite the stricter computer check; and others were rejected for inadvertent errors. But, presumably some were rejected and remain in a rejected status because the applicants were attempting to receive more assistance than they were eligible for.[22/] Defaults in the loan programs can be cited as examples of wasted financial resources.[23/]

In this section the issue of student aid fraud, abuse and waste is addressed in general terms, although the 96th Congress is likely to consider proposals to address specific problems. At the outset it is important to be aware of the background to the problem of fraud, abuse and waste.

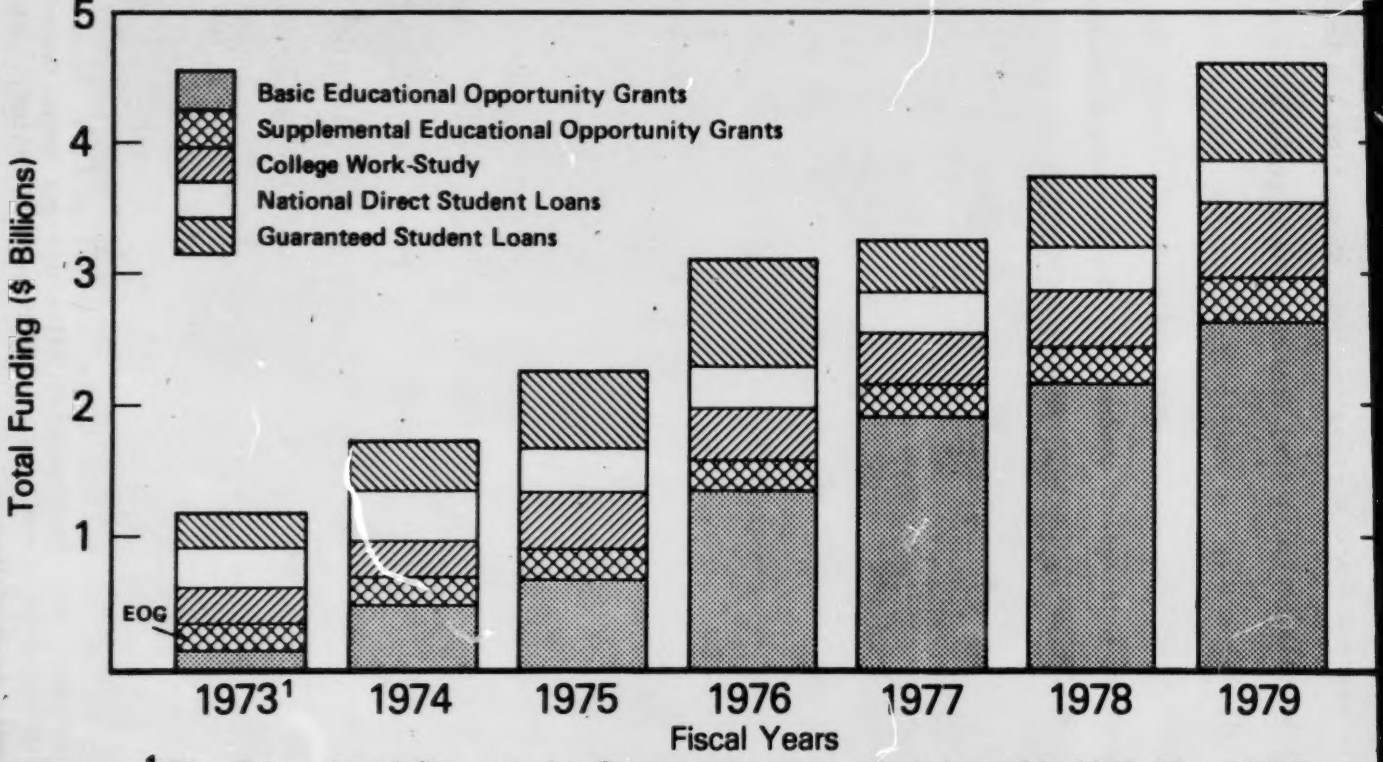
Student assistance funding authorized under the Higher Education Act, particularly Title IV, has grown dramatically. In the period between FY 1973 and FY 1979, funding for the major student financial assistance programs of Title IV increased by over 300 percent, rising from somewhat more than $1 billion to over $4.5 billion. One program in particular has outpaced this general growth. Since its enactment in 1972, the Basic Grant Program has increased over twenty-fold, in terms of funding, rising from $122 million in FY 1973 to $2.626 billion in FY 1979.

The chart on the following page shows how appropriations for these programs have grown and how the concentration of funding has shifted from the campus-based programs (Supplemental Grants, College Work-Study and National Direct Loans) to the Basic Grant Program.

22/ November 6, 1978 briefing of congressional staff by Deputy Commissioner for Student Financial Assistance Leo Kornfeld.

23/ See CRS Issue Brief 75017 entitled Student Loan Programs (Federal): Defaults.

MAJOR FEDERAL STUDENT AID PROGRAMS APPROPRIATIONS FOR FISCAL YEARS 1973-79



[1] The Educational Opportunity Grants program ended June 30, 1973. The SEOG program was initiated on July 1, 1973

SOURCE: Annual Evaluation Report on Programs Administered by the Office of Education, FY 1977 and related documents.

Underlying this general growth is a series of significant changes in the structure of several of these programs. The Basic Grant Program is only six years old and already has been amended by the Education Amendments of 1976 (P.L. 94-482) (raising the maximum grant level from $1,400 to $1,800) and by the Middle Income Student Assistance Act (P.L. 95-566) (liberalizing the need analysis calculation and amending the treatment of independent students). The Guaranteed Student Loan Program, in its near decade and a half, has been amended repeatedly. In contrast the campus-based programs have remained relatively unchanged for many years.

In addition to the growth and changes in the programs, one must consider that the participants of these programs pose administrative problems as well. Among significant changes to the Higher Education Act student aid programs, was the expansion of institutional eligibility to proprietary institutions of postsecondary education, accomplished primarily by the Education Amendments of 1972 (P.L. 92-318). Proprietary schools have been cited in numerous reports for mismanagement of Federal student aid funding.[24/] In addition, institutions of higher education, anxious about their academic autonomy, challenge Office of Education efforts to impose strict control over Federal student aid funds. Some of these institutions are cast, in the loan programs, in the unaccustomed role of collection agents.

24/ In the July 25, 1978 response from the Secretary of Health, Education, and Welfare to Representative L. H. Fountain Chairman, Intergovernmental Relations and Human Resources Subcommittee (Committee on Government Operations), this topic is discussed.

The preceding discussion is not intended to account completely for the current administrative difficulties which the Office of Education is experiencing with these programs. Some problems could have been anticipated and averted. For example, there apparently was little planning for the administrative demands which the Guaranteed Student Loan Program would make when the volume of loans committed in the late 1960s, finally matured in the early 1970s. The fraud, abuse and waste problems may need to be addressed in at least two general ways — through improvement of Office of Education administration, and through consideration of the legislatively-specified structure of the programs.

What are some of the specific issues involving fraud, abuse and waste in Federal student aid programs which the 96th Congress may debate? The following list is by no means complete, nor are the discussions of each comprehensive. Legislative action to consolidate, coordinate and simplify these programs may address fraud, abuse and waste as well.

(1) Validation of information submitted on applications for Office of Education Student aid. For example, the Basic Grant Program has a procedure whereby a specified number of applications are identified and students and the families asked to submit additional information verifying the original data submitted. A preliminary review revealed enough discrepancy between the information filed and that which could be verified to warrant a major effort in this area. 25/ Validating and verifying data is likely to remain difficult as long as students can apply for aid through a variety of mechanisms. A single application

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25/ See the September 1978 issue of the Bureau of Student Financial Assistance Bulletin.

form for all Federal student assistance might resolve some of these problems; although, the complexity of such a form could prove unacceptable.

(2) Defaults in the National Direct Student Loan Program and the Guaranteed Student Loan Program. The identification of the root causes of defaults is particularly difficult. Some blame can probably be placed on each group of participants -- students, institutions of higher education, non-institutional lenders, State administering agencies, and the Office of Education. Legislative efforts have been made previously to address this issue. For example, recent amendments to the Guaranteed Student Loan Program, making it principally a State-run program, are intended to improve the administration of the program, bringing more control to the loan servicing and collecting processes. The National Direct Student Loan Program is the subject of Bureau of Student Financial Assistance efforts to inform institutions of their responsibilities under the program, to provide "skip-tracing" services (establishing contact with borrowers), and to implement legislative authority for the submission, to the Office of Education, of the defaulted loans held for at least two years by participating schools.

(3) Definition of independent student status. It has been argued that students are taking advantage of the provisions in Federal student aid programs which define who is an independent student. Individuals qualifying as independent students have only their own wealth, not that of their parents, assessed for financial need and, thus, are likely to qualify for greater amounts of aid. In 1977, the Office of Education attempted to change the definition of an independent student, in general making it more difficult to attain that status. The agency argued that changes were needed because of the potential impact on need-based programs of increasing number of students becoming independent. The Basic Grant Program was cited in particular because some 30 to 40 percent of its applicants were expected to file as independent. 26/ This effort was not carried through, and to many analysts the problem remains.

26/ Federal Register. Juny 12, 1977. p. 35941-35945.

(4) Proprietary school participation. The proprietary school sector has been found to be responsible for a disproportionately large amount of misuse of student aid funds. Expansion of eligibility to these institutions is essentially the result of congressional efforts to open the Higher Education Act Title IV programs to the entire postsecondary student population, not just that part enrolled at the traditional public and private, nonprofit four-year colleges and universities. Efforts to address this issue will probably be considered within the confines of that congressional interest in expanding access to Federal student aid.

(5) Provision of information to students as consumers of higher education and as participants in Federal student assistance programs. One approach to reducing student aid fraud, abuse and waste has been to improve the information prospective students receive about schools (such information as the rate at which students complete courses of study, rates at which graduates are placed in jobs, etc.), thereby improving the match between students and schools. In addition, counseling students on the types of Federal assistance available and their responsibilities as Federal student aid beneficiaries has been cited as an important step toward reducing financial loss in these programs. Legislation has been enacted to accomplish some of the information needs — e.g., Sections 493A, B, and C of the Higher Education Act specify that institutions must use administrative allowances provided by Title IV programs initially for student aid information dissemination. At least one legislative initiative in this area — the student aid information bank — has not been enacted and may receive attention in the coming years. Under this proposal, students would have access, through a central bank of information, to current descriptions of all available student assistance, higher education opportunities, etc. In theory, the more information an individual has about the higher education marketplace and financial assistance, the more rational will be his or her higher education decisions, possibly reducing the likelihood of abusing or misusing Federal student assistance.

(6) Institutional accountability for Federal student aid funds. Previous Congresses have enacted legislation to improve the ability of the Office of Education to limit, suspend or terminate the eligibility of any institution for Title IV student aid programs if that institution has failed to carry out properly its responsibilities under these programs. Additional legislative initiatives may be proposed, such as, requiring that institutions participating in these programs be bonded for specific amounts so that, in the event of their going into bankruptcy, tuition refunds to students and to the aid programs can be made; or backing, through statute, the Office of Education decision to require that all participating institutions be audited at least once every two years.

III. Institutional Aid

Direct financial assistance for institutions of higher education is clearly not a priority for Federal higher education policy as it is expressed through the Higher Education Act. As discussed earlier, the Higher Education Act (post-Education Amendments of 1972) is primarily a vehicle for providing Federal financial assistance to students, with somewhat less than six percent of the FY 1979 appropriation for the programs authorized under the Act to be spent in the form of institutional aid. Nevertheless, a substantial amount of debate is likely to focus on institutional aid during the reauthorization process. For example, the Strengthening Developing Institutions Program (Title III of the Act), the Act's major institutional aid program, is at present the focus of serious criticisms that probably will inspire some legislative proposals. The Carter Administration, in its FY 1979 Budget, proposed a $50 million appropriation for Title VII -- Construction, Reconstruction and Renovation. (The request was not repeated in the FY 1980 Budget.) Finally, at least one new institutional aid program

was proposed during the 95th Congress -- the Urban Grant University Act (H.R. 7328). As originally introduced the bill would have provided Federal funding to four-year colleges and universities located in urban areas to bring institutions' resources and capabilities to bear on urban problems.

A fundamental rethinking of the Federal focus on student aid may come about, as a result of the anticipated enrollment decline in the mid 1980s. At a minimum, institutions probably will make an increasingly strident call for institutional aid to help them weather the enrollment drop.[27/] The forces of the marketplace in which students with their Federal assistance pick and choose among institutions may well work against some types of institutions, raising the question of whether there is not a Federal role for the maintenance of diversity in the academic marketplace. The concept of the marketplace embodies both access to institutions and choice among institutions. The closing of some institutions may affect the element of choice. That some form of institutional assistance might be a necessary concomitant to student assistance was suggested by the Education Amendments of 1972. Accompanying the expanded student aid effort were amendments authorizing direct institutional support, part of it tied to the enrollment of federally assisted students.[28/] These provisions have never been funded.

27/ See Future Higher Education Enrollments: An Analysis of Enrollment Projections by James Stedman. CRS Report 78-4 ED. January 4, 1978.

28/ Sections 419 and 981 of the Higher Education Act.

At least three issues involving institutional aid under the Higher Education Act are possible topics for consideration during the reauthorization process.

(1) Construction Needs. This is really not one issue but many. Among the construction-related concerns of the higher education community which may generate legislative proposals are the problems of deferred maintenance, making existing facilities more energy efficient, and making them more accessible to handicapped students.

The first half of this decade was particularly hard on the budgets of institutions of higher education; and one method of reducing expenditures utilized by many institutions was the deferral of building maintenance.[29/] In a 1978 survey of higher education construction needs in six States likely to experience net enrollment growth by 1985, CRS learned that although new construction is not among their current needs, reconstruction and renovation are.[30/]

The Congress, through the Education Amendments of 1976, expanded the uses of funding authorized under Title VII of the Higher Education Amendments to include reconstruction and renovation. To date these specific authorities have not been funded although the Administration did request $50 million in its FY 1979 Budget for reconstruction and renovation related to access of the handicapped.

29/ Earl F. Cheit. The New Depression in Higher Education -- Two Years Later. A technical report sponsored by the Carnegie Commission on Higher Education. 1973. p. 51-52.

30/ The States surveyed were Arizona, Colorado, Delaware, Florida, Idaho and Utah. They were selected on the basis of an American Council on Education study entitled Changes in Enrollment by 1985 (Cathy Henderson, June 1977).

(2) Funding Needs of Traditionally Black Institutions. It would be surprising if, during the reauthorizing process, there were not some consideration of the Federal policy for the traditionally black institutions of higher education in this country. Representatives of these institutions have argued that the Federal Government has a particular responsibility to their schools, an argument apparently accepted, at least in part, by the Carter Administration.[31/]

Consideration of the Strengthening Developing Institutions Programs (Title III of the Higher Education Act) will provide an opportunity for assessment of the Federal role for black institutions, since they receive approximately half of the funding for that title, the largest institutional aid program funded under the Act. Title III provides support to institutions potentially able to serve national education needs, but which are burdened by isolation from the academic mainstream and by limited financial resources. Efforts to increase Federal support for black colleges may well focus on an attempt to increase the black institutional presence in the program through such means as establishing a black institution set-aside of the program's annual appropriation.

But such efforts will have to address the serious criticisms that have been raised about the program. A 1975 General Accounting Office report concluded that the program lacked specific goals and was unable to measure the extent of its impact.[32/] A more recent General

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31/ "Federal Agencies Told to Boost Aid to Black Colleges" Higher Education and National Affairs. January 19, 1979.

32/ General Accounting Office Assessing the Federal Program for Strengthening Developing Institutions of Higher Education. MWD-76-1. October 31, 1975.

Accounting Office report is even more critical of the program.[33] On November 2, 1978, new regulations were proposed for the program to establish a more rigid test for eligibility and to require each participating institution to set its own standards for evaluating progress.[34]

The reauthorization process will probably give rise to a variety of legislative proposals affecting the Title III program -- some to enhance its support of black institutions; others to expand its role as the primary program of general institutional aid currently funded under the Act; and still others to address the problems identified through critical studies such as those of the General Accounting Office.

(3) Funding Needs of Private Institutions. A perennial subject of discussion among members of the higher education community and Federal higher education policymakers is the Federal role in the maintenance of private, nonprofit colleges and universities. Proponents of an active Federal role generally argue that it is in the national interest to keep the private sector viable because it is a source of diversity, innovation and leadership in the academic community. The primary focus of attention has been the gap between public and private tuitions. Presumably, the private sector is at a disadvantage in the competition for students because its tuition levels are substantially higher than those in the public sector.

33/ General Accounting Office. The Federal Program to Strengthen Developing Institutions of Higher Education Lacks Direction. HRD-78-170. February 13, 1979.

34/ Federal Register. November 2, 1978.

Legislative proposals to address this concern generally take one of two forms — student aid which serves to equalize public and private tuition levels; or direct institutional assistance enabling private schools to reduce their dependence on tuition and fees for operating revenues.

APPENDIX A -- DESCRIPTION OF THE HIGHER EDUCATION ACT

This appendix is provided as background to the discussion presented in the body of this report. It describes, briefly the various programs authorized by the Higher Education Act.

Higher Education Act

Title I -- Community Service and Continuing Education

Part A — Community Service and Continuing Education Programs

This part authorizes Federal support for activities at colleges and universities which are designed to assist local communities in solving their problems and to provide continuing education opportunities in those same communities.

Part B — Lifelong Learning

This part authorizes a program of planning, coordinating and assessing lifelong learning programs to be undertaken by the Assistant Secretary of Education. Lifelong learning encompasses a wide range of education activities, from adult basic education to job training.

Title II -- College Library Assistance and Library Training and Research

Part A -- College Library Resources

This part authorizes a series of grants to colleges for the acquisition of library resources.

Part B -- Library Training and Research

This part authorizes support for programs to develop librarianship training programs.

Part C — Strengthening Research Library Resources

This part authorizes a program of support for major college research libraries, through grants distributed equitably across the country.

Title III -- Strengthening Developing Institutions

This is a program of Federal support for colleges outside of the academic mainstream and facing financial difficulty. The Commissioner of Education, through competitive grants to specific institutions, supports cooperative arrangements among schools, teaching fellowships to attract faculty, and additional faculty support known as professors emeritus grants to bring retired faculty to these schools.

Title IV — Student Assistance

Part A — Grants to Students in Attendance at Institutions of Higher Education

Subpart 1 -- Basic Educational Opportunity Grants

Employing a federally established need analysis system, this program is authorized to provide grants of up to $1,800 to undergraduates enrolled on at least a half-time basis. No grant can exceed half the cost of attendance. This is a student aid entitlement for undergraduates with need.

Subpart 2 -- Supplemental Educational Opportunity Grants

Through a State-based allotment formula, funds for the Supplemental Grant Program are disbursed to individual campuses. Financial aid officers control the awarding of these funds to students. Needy undergraduate students enrolled on at least a half-time basis are eligible for up to $1,500, or half the sum of the total amount of aid provided to the student, whichever is less. A maximum of $4,000 can be awarded through the undergraduate years, except in certain circumstances.

Subpart 3 -- Grants to States for State Student Incentives

States are provided, under the State Student Incentive Grant Program, with funds, on a 1 to 1 matching basis, for the support of State-run, need-based, undergraduate student aid programs.

Subpart 4 -- Special Programs for Students From Disadvantaged Backgrounds

To identify qualified individuals from low-income families, prepare them for postsecondary education and provide needed support services while they are enrolled in post-secondary education, this subpart authorizes four programs

(1) Talent Search -- to encourage individuals with potential to complete high school and enroll in college, and to publicize existing financial assistance.

(2) Upward Bound -- to support programs through which low-income individuals with inadequate secondary school preparation will gain the skills and desire needed for continuing their education.

(3) Special Services for Disadvantaged Students -- to provide support services (remediation, counseling, etc.) to disadvantaged students.

(4) Educational Opportunity Centers -- to support centers providing low-income areas with information about postsecondary education, assistance in applying to postsecondary institutions and tutoring services for postsecondary students.

Subpart 5 -- Education Information

States receive grants, allocated on the basis of population, to support Educational Information Centers. Such centers provide information on postsecondary education opportunities and financial assistance, referral services for remedial and tutorial assistance, etc.

Subpart 6 -- Assistance to Institution of Higher Education

Payments to Institutions of Higher Education

This portion of Subpart 6 authorizes "cost-of-education" payments to institutions of higher education based on their enrollment of undergraduate students assisted by the Basic Educational Opportunity Grant Supplemental Educational Opportunity Grant, College Work-Study and National Direct Student Loan Programs.

Veterans' Cost-of-Instruction Payments to Institutions of Higher Education

Institutions are entitled to payments based on the number of enrolled veterans receiving G.I. bill education benefits. Recipient institutions must maintain an office of veterans' affairs and provide outreach, tutorial and remediation services.

Part B — Federal, State, and Private Programs of Low-Interest Insured Loans to Students in Institutions of Higher Education

The Guaranteed Student Loan Program, authorized under this part, provides Federal insurance and reinsurance of loans made to students by commercial lenders, State agencies, some schools, etc. Annual loan limits are $2,500 for undergraduate students and $5,000 for graduate or professional students. The aggregate insured unpaid principal which students can accumulate is $7,500 for undergraduates and $15,000 for graduate and professional students. Interest on these loans is seven percent a year which is subsidized by the Federal Government during the in-school and short post-enrollment periods. Repayment is over a 10-year period with certain periods when interest and principal payments are postponed. A special allowance is paid to lenders to encourage participation.

Part C — Work-Study Programs

Under the College Work-Study Program, the Federal Government provides support for part-time work programs for college students. Federal funds generally cannot exceed 80 percent of the earnings for work-study students. Appropriations are distributed through a State-based allotment formula and are administered on individual college campuses.

Part D -- Vacant

Part E -- Direct Loans to Students in Institutions of Higher Education

This part authorizes the National Direct Student Loan Program which provides funds, based on a State allotment formula, to institutions of postsecondary education. These funds must be matched on a 9 to 1 basis (Federal funds to institutional funds). Needy students enrolled on at least a half-time basis are eligible to borrow an aggregate of $5,000 if they have successfully completed the first two years of undergraduate study, $10,000 if they are graduate or professional students, and $2,500 for all other students. Interest of three percent per year is applied beginning with the inception of the repayment period (nine months following cessation of at least half-time study). The repayment period lasts 10 years years with certain postponement and cancellation options available to borrowers.

Title V -- Teacher Corps and Teacher Training Programs

Part A -- Teacher Corps Program

In an effort to strengthen the educational opportunities of disadvantaged children, this program authorizes grants to institutions of higher education and local educational agencies to operate Teacher Corps projects. These projects are to recruit and train teachers who will teach in areas with concentrations of low-income families, to recruit and train teacher interns with concentrations of low-income families, to recruit and train teacher interns for service in these areas, to recruit volunteer part-time tutors for these areas, etc.

Part B -- Teacher Training Programs

This part authorizes a program of support to local educational agencies for planning, establishing and operating Teacher Centers. These centers will develop needed curricula and teacher training. In addition, a program of grants to institutions of higher education for the training of higher education personnel is authorized.

Title VI -- Financial Assistance for the Improvement of Undergraduate Instruction

Part A -- Equipment

Through State-based allotment formulas, Federal funds are distributed to eligible institutions of higher education for the purchase of instructional equipment and television equipment.

Title VII -- Construction, Reconstruction and Renovation of Academic Facilities

Part A -- Grants for the Construction, Reconstruction and Renovation of Undergraduate Academic Facilities

This part authorizes grants for construction, etc., to be allotted among the States by formula. Institutions are eligible if such construction will result in an expansion of enrollment capacity, expansion of health care for students, or expansion of the capacity to provide extention and continuing education.

Part B — Grants for Construction, Reconstruction and Renovation of Graduate Academic Facilities

This part authorizes a program of grants to institutions of higher education for the establishment or improvement of graduate schools and cooperative graduate centers.

Part C — Loans for Construction, Reconstruction and Renovation of Academic Facilities

The Federal Government is authorized under this part to make and insure loans to institutions of higher education for construction, etc. These loans are repayable over a 50 year period at three percent interest per year. Grants are also available to support institutions borrowing from other sources. These grants are to reduce the net interest rate on such loans to three percent.

Part D — Assistance in Major Disaster Areas

This part authorizes a program of emergency financial support for public institutions in major disaster areas.

Part E -- Reconstruction and Renovation

This part authorizes grants and direct loans for reconstruction and renovation projects designed to conserve energy, remove architectural barriers or bring facilities into compliance with health or environmental safety requirements.

Title VIII — Cooperative Education

Programs of cooperative education (alternate periods of work and study) are supported under this part. No institution can receive assistance for more than five years, and, for each of those five years the portion of a program's cost which can be supported by the Federal Government decreases.

Title IX — Graduate Programs

Part A — Grants to Institutions of Higher Education

This part authorizes grants to institutions for higher education for strengthening graduate and professional programs, including programs for public service education, and strengthening undergraduate programs in those same fields. The funding authority of Part A is used in conjunction with Parts B and C which provide fellowships to graduate students in particular fields or with specific backgrounds.

Part B — Fellowships for Graduate and Professional Study

This part authorizes the Commissioner of Education to award up to 7,500 fellowships for use in graduate study. Among the uses of these funds is the support of fellowships to increase minority enrollment in graduate and professional study. Currently, this authority in conjunction with Part A is used to fund the Graduate and Professional Opportunities Program which supports graduate minority students.

Part C — Public Service Fellowships

The Commissioner is authorized to award each year up to 500 fellowships for graduate or professional study for individuals intending to pursue a career in public service.

Part D — Fellowships for Other Purposes

This part authorizes fellowships for graduate students pursuing advanced study in mining and mineral conservation, and for graduate students with disadvantaged backgrounds. Under this latter authority, funds are provided to the Council on Legal Education Opportunity (CLEO) to provide support services to disadvantaged and minority individuals studying law.

Part E — Annual Fellowship Report

This part requires the Commissioner to prepare an annual report identifying and evaluating the fellowship programs.

Part F -- General Assistance to Graduate Schools

This part authorized, between FY 1972 and FY 1975, a program of general assistance grants for institutions of higher education, calculated on the full-time equivalent number of graduate students enrolled.

Title X -- Establishment and Expansion of Community Colleges

Part A — Statewide Plans

Each Statewide commission established under Title XII (see below) seeking assistance under this title must develop a plan for the expansion or improvement of community colleges.

Part B -- Establishment and Expansion of Community Colleges

Funds are authorized to be distributed under a State allotment formula for the support of community college establishment and expansion. Expansion grants are to be used to provide education programs to educationally disadvantaged individuals.

Title XI -- Law School Clinical Experience Programs

The Commissioner is authorized to support the establishment or expansion of programs which provide actual legal experience to law students. The Federal support cannot be more than 90 percent of each program's cost.

Title XII -- General Provisions

This title provides definitions for the Higher Education Act; authorizes the funding of Statewide planning in higher education to be carried out by State postsecondary education commissions (1202 commissions); establishes an advisory council on graduate education; provides that any institution seeking to participate in programs under the Act must submit cost of education data, etc.

APPENDIX B

FY 1979 Authorizations and Appropriations

The following table gives the FY 1979 authorization and current FY 1979 appropriation levels for each of the programs described in Appendix A. Titles of programs have been shortened for convenience or slightly changed for clarity. The letters "SSAN" (for "such sums as necessary") are entered for authorizations when there is no specific amount authorized, regardless of whether the term "such sums as necessary" is used in the authorizing statute. For nearly all of these programs, FY 1979 appropriations reach students and institutions during the 1979-80 school year.

	FY 1979 Authorization	FY 1979 Appropriation
Title I -- Community Service and Continuing Education		
Part A — Community Service and Continuing Education	$ 40,000,000	$ 16,000,000
Part B — Lifelong Learning	$ 40,000,000	0
Title II — College Library Assistance		
Part A — Library Resources	$120,000,000	$ 9,975,000
Part B -- Training and Research	for Parts A & B	$ 3,000,000
Part C — Research Libraries	$ 20,000,000	$ 6,000,000
Title III -- Developing Institutions	$120,000,000	$120,000,000

	FY 1979 Authorization	FY 1979 Appropriation
Title IV -- Student Assistance		
Part A — Grants		
Basic Grants	SSAN	$2,626,900,000
Supplemental Grants	$200,000,000 (initial year awards) plus SSAN	340,100,000
State Student Incentive	$ 50,000,000 (continuing awards only) plus SSAN	$ 76,750,000
Special Programs	$200,000,000	$ 140,000,000
Educational Information	$ 40,000,000	$ 3,000,000
Assistance to Institutions		
Cost-of-Education	SSAN	0
Veterans' Cost of Instruction	SSAN	$ 19,000,000
Part B -- Guaranteed Loans	SSAN	$ 739,314,000
Part C — Work Study	$600,000,000	$ 550,000,000
Part E -- National Direct Loans	$400,000,000	$ 328,900,000
Title V -- Teacher Corps and Teacher Training		
Part A — Teacher Corps	$100,000,000	$ 37,500,000
Part B -- Teacher Training	$ 75,000,000	$ 12,625,000
Title VI -- Undergraduate Instruction		
Part A — Equipment	$ 70,000,000	0

	FY 1979 Authorization	FY 1979 Appropriation
Title VII -- Construction		
Part A -- Undergraduate Academic Facilities	$300,000,000	0
Part B -- Graduate Academic Facilities	$ 80,000,000	0
Part C -- Loans for Construction	$200,000,000	0
Annual Interest Grants	$133,250,000	$ 20,000,000
Part D -- Disaster Areas	SSAN	0
Part E -- Reconstruction	(Funding from Parts A and C can be made available)	0
Title VIII -- Cooperative Education	$ 28,000,000	$ 15,000,000
Title IX -- Graduate Programs		
Part A -- Grants to Institutions	(Funded in conjunction with Part B or C)	
Part B -- Fellowships for Graduate and Professional Study	SSAN	$ 8,000,000
Part C -- Public Service Fellowships	SSAN	$ 4,000,000

	FY 1979 Authorization	FY 1979 Appropriation
Part D — Fellowships for Other Purposes		
Mining Fellowships	SSAN	$ 4,500,000
Disadvantaged Law Students (CLEO)	SSAN	$ 1,000,000
Title X -- Community Colleges		
Part A — Statewide Planning	SSAN	0
Part B -- Establishment and Expansion	SSAN	0
Title XI -- Law School Clinical Experience	$ 7,500,000	$ 2,000,000
Title XII -- General Provisions		
1202 Commissisons	SSAN	$ 3,500,000